

CALENDAR

MASSACHUSETTS PESTICIDE EXAM SCHEDULE

UMASS Eastern Extension Center—240 Beaver St., Waltham

JANUARY 17. Deadline for submitting application is **JANUARY 10.**

QUESTIONS CALL—617-626-1785.

REMINDER

Apples that are being shipped to CALIFORNIA, ARIZONA, NEW MEXICO, IDAHO AND UTAH must be certified by the Massachusetts Department of Food and Agriculture, Bureau of Farm Products, to have been in cold storage for a period of at least 40 days or more with the temperature at 32 degrees F or less.

Apples in controlled atmosphere must be in CA storage for a continuous period of 60 days with the temperature at 38 degrees F or less and said storage room or building has been approved as a controlled atmosphere facility by the proper authority.

Questions, call George Porter at 617-626-1800.

**THERE WILL BE NO APPLE REPORT NEXT WEEK.
HAVE A SAFE AND HAPPY HOLIDAY AND REMEMBER OUR TROOPS OVERSEAS**

GROWERS INSIST SUPERMARKETS' BIG PROFITS COME AT THEIR EXPENSE

By Todd Foltz

A recent finding by the Food Marketing Institute that the supermarket industry posted its highest net profits in nearly three decades comes as no surprise, given continued consolidation and the preponderance of tools such as category management, industry analysts said.

But retail success isn't necessarily filtering down to growers, who complain that retail slotting fees leech them of profits and that supply chain management tools cost growers more than retailers.

Growers said they think it is unfair that retailers force them to pay for space in the produce aisle when it is their own product that retailers frequently use to differentiate themselves from their competition. And growers also complain they are forced to bear the brunt of the costs of industry trends, such as returnable plastic containers, that focus savings on the retail side.

"Growers always expect more and deserve more in terms of price," said consultant Dick Spezzano of Calif.-based Spezzano Consulting Services. "The reality is that's not going to happen. What this means for growers is that they must get better at selling and at offering product that retailers want."

For example, Spezzano said, some growers are using technology to examine every piece of fruit and to guarantee brix levels. That adds value for the retailer and can bring better prices for the grower, he said.

The new retail statistics released in FMI's "2000-2001 Annual Financial Review," show that the supermarket industry just posted net profits at 1.25% of sales, up about a tenth of a point over last year's figures. Operating income, at 3.03% was near the 10-year high of 3.05%, according to the report.

"What is most impressive about these figures is that the industry earned them through efficiency, rigorous cost controls and strategic use of technology," Tim Hammonds, FMI president and CEO said in a news release. "Meanwhile, the percentage of disposable income spent for food at home continues to remain low (6.2%), along with food inflation."

But Matt McInerney, interim president of Calif.-based Western Growers Association, said the most telling statistic was not net income but return on equity.

"They put profits in terms of 1.25% of sales, but what you need to look at is return on equity," he said. "Those numbers are more of a reflection of their real returns. In the past, those numbers have reflected double digits, and I imagine that will continue to be the case."

Indeed, according to the FMI report, the return on equity for retailers did increase its move into double-digit figures this year, rising to 13.4% from 10.71%.

"This continues to frustrate the grower community as we continue to struggle with depressed commodity prices and enhanced input costs," McInerney said.

For retailers, the gains in efficiency were most evident in reduced inventory cost, which continued a long-term capital decline from 27.56% of assets a decade ago to 22.19% in 2000, according to FMI. At the same time, capital expenditures were at the second-highest level in five years—2.99% of sales.

In 2000, food inflation was 2.3%, more than a full point below the consumer price index increase of 3.4% for all items, according to the Bureau of Labor Statistics.

"These figures paint the picture of a resilient industry focused on efficiency and delivering the products and services that consumers demand," Hammonds said. "Food retailers are using technology and the Internet to reduce inventory and transaction costs. Stores and warehouses are becoming more energy efficient."

More important, Hammonds said, stores are putting products on shelves and offering services that consumers want. Many are providing one-stop convenience by adding gasoline pumps, full-line banking services, wellness centers, pharmacies, coffee bars and prepared and ethnic foods, Hammonds said.

The FMI report shows that by virtually every measure, supermarkets' financial performance has improved:

- Return on assets increased to 3.78% in 2000-01 from 3.55%.
- Asset turnover increased to 3.21% from 3.18%.
- Earnings before interest, taxes, depreciation and amortization increased to 4.92%, up from 4.78%.

Spezzano said produce is playing an increasing role in the profits of retail stores.

Retail consolidation also is pushing the numbers reflected in FMI's research.

"There are a lot of synergies in consolidation, but it takes a while to realize them," Spezzano said. "One of the soft benefits is the natural closing of stores. When you have a takeover that gives you a big store down the street from the smaller store, you shut down the small store, and eventually you'll be more profitable at the big store. Plus, you get buying synergies and more efficient use of warehousing and distribution."

Spezzano said consolidation doesn't offer the same synergies to growers as it does to retailers, who are able to save in management and labor costs by purchasing other stores. Growers who buy additional acreage still have a lot of cost in field labor.

(Article from "THE PACKER" November 26, 2001)

U.S. GRADES FOR APPLES

LIMB RUB

Amount allowed for a dark brown or black rub:

U.S. Extra Fancy ¼" in diameter

U.S. Fancy ½" in diameter

U.S. No. 1 ½" in diameter

Utility 10% of surface

APPLE SHIPMENT TRACKING

Source: USDA

Amounts are shown in units of 10,000 pounds

Season Begins	11/18/01- 11/24/01	11/11/01- 11/17/01	11/19/00 11/25/00	Total this season 11/24/01	Total last season 11/25/00
SEPTEMBER					
	7,926	10,407	10,658	117,399	150,455

MID-WEEK F.O.B. PRICES AT MASSACHUSETTS COUNTRY SHIPPING POINT

Prices and grades received by telephone, December 18, 2001

VARIETY	GRADE	SIZE	PRICE
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McINTOSH	Cartons Cell Pack U.S. Extra Fancy	80s	19.00
		96s	18.50
	Cartons Film Bags U.S. Fancy	12-3s 2-1/2" min	12.50
	Cartons Tote Bags U.S. Fancy	8-5s 2-1/2" min	14.00
CORTLAND	Cartons Cell Pack U.S. Extra Fancy	72s & 80s	18.00
	Cartons Film Bags U.S. Fancy	12-3s 2-1/2" min	12.50
	Cartons Tote Bags U.S. Fancy	8-5s 2-1/2" min	14.00
EMPIRE	Cartons Cell Pack U.S. Extra Fancy	80s	18.00
		96s	17.50
	Cartons Film Bags U.S. Fancy	12-3s 2-1/2" min	11.50
	Cartons Tote Bags U.S. Fancy	8-5s 2-1/2" min	13.00
RED DELICIOUS	Cartons Tray Pack U.S. Extra Fancy	80s & 88s	13.50
	Cartons Film Bags U.S. Fancy	12-3s 2-1/2" min	11.00
	Cartons Tote Bags U.S. Fancy	8-5s 2-1/2" min	13.00

FEDERAL MARKET NEWS SERVICE, EVERETT, MASS.
DECEMBER 17, 2001

NEW ENGLAND			
McINTOSH	Cartons Cell Pack U.S. Extra Fancy	80s & 96s	18.00-20.00 mostly 19.00
		100s	19.00
	Cartons Cell Pack U.S. No. 1	80s	9.00- 9.50
		100s	10.00-11.00
		120s & 140s	9.00- 9.50
	Cartons Film Bags U.S. No. 1	12-3s 2-3/8" min	9.50
CORTLAND	Carton Cell Pack U.S. No. 1	80s	13.00-15.00
		96s	13.00 fair condition 8.00
	Cartons Film Bags U.S. Extra Fancy	12-3s 2-3/8" min	12.00
SHIPPED IN			
McINTOSH	NY Hudson Valley Ctns CelPk U.S.ExFcy	80s & 100s	19.00
	Lake Champlain Cartons CelPk U.S. ExFcy	80s, 96s, 100s	19.00
	NY Hudson Valley Ctns CelPk U.S. Fcy	100s	9.00-10.00
		120s	10.00-11.00
		140s	9.00-10.00
	Lake Champlain Ctns CelPk U.S. Fcy	100s	11.00
		120s & 140s	9.50
	Lake Champlain Ctns FlmBg U.S. ExFcy	12-3s 2-1/2" min	12.00
CORTLAND	Lake Champlain Ctns CelPk Combination U.S. Extra Fancy-U.S. Fancy	80s	19.00
EMPIRE	NY Hudson Valley Ctns CelPk U.S. Fcy	80s	19.00
	NY Hudson Valley Ctns FlmBg U.S. ExFcy	12-3s 2-1/2" min	12.00
RED DELICIOUS	WA Cartons Tray Pack WAExFcy	64s, 72s, 80s, 88s	17.00-19.00 mostly 17.00-18.00 fine appear. 20.00-22.00
		100s	16.00-19.00 mostly 17.00-18.00 fine appear. 19.00-20.00
		113s	16.00-18.00 mostly 16.00-17.00 fine appear. 19.00-20.00
		125s	16.00-18.00 mostly 16.00-17.00
	NY Hudson Valley Ctns FlmBgs U.S. ExFcy	12-3s 2-1/2" min	12.00-13.00

	WA Cartons Film Bags WAExFcy	12-3s 2-1/2" min	17.00
GOLDEN DELICIOUS	WA Cartons Tray Pack WAExFcy	64s	24.00
		72s	23.00-24.00
		80s	22.00-23.00
		88s	21.50-22.00 mostly 22.00
		100s	21.00
		113s	19.00-20.00
		125s	18.00-19.00
	WA Cartons Cell Pack WAExFcy	80s	26.50
		88s	21.00
		96s	23.50
	NY Hudson Valley Ctns FlmBg U.S. ExFcy	12-3s 2-1/2" min	12.00
	WA Cartons Film Bags WAExFcy	12-3s 2-1/2" min	19.00
ROME	NY Hudson Valley Ctns TryPk U.S. ExFcy	88s	15.00
	PA Cartons Tray Pack U.S. ExFcy	64s	15.00
	NY Hudson Valley CtnsFlmBgs U.S. ExFcy	12-3s 2-1/2" min	12.00
ROYAL GALA	WA Cartons Tray Pack WAExFcy Controlled Atmosphere	72s	23.00-24.00
		80s	Fine appearance 27.00
		88s	24.00 fine appearance 28.00
		100s	24.00 fine appearance 28.00
JONAGOLD	WA Cartons Tray Pack WAExFcy	80s	26.00
		88s	24.00
FUJI	PA Cartons Tray Pack U.S. ExFcy	80s & 88s	23.00-24.00
	WA Cartons Tray Pack WAExFcy	56s & 80s	24.00
		100s	5.00
BRAEBURN	WA Cartons Tray Pack WAExFcy	80s	24.00
		88s	24.00-25.00
		100s	22.00 fine appear. 25.00
GRANNY SMITH	CA Cartons Tray Pack U.S. ExFcy	72s	23.00 fine appear. 26.50
		80s	21.00-22.00 fine appear. 26.50
		88s	21.00 fine appear. 26.50
		100s	19.00
		125s	17.00-19.00
	WA Cartons Tray Pack WAExFcy	64s & 72s	Fine appear. 28.00
		80s	21.00 fine appear. 24.00
		88s	Fine appear. 24.00
		100s	21.00-22.00 mostly 21.00
		113s	18.00
		125s	17.00-18.00 mostly 18.00
	CA Cartons Film Bags U.S. ExFcy	12-3s 2-1/2" min	14.00-15.00
	WA Cartons Film Bags WAExFcy	12-3s 2-1/2" min	18.00
CIDER	New England Preserved Cartons	4-1-gallon bottles	9.00- 9.40 mostly 9.00
		9-½-gallon bottles	10.00 best 11.25

Howard Vinton, Editor